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Five Tips for Lenders to Manage the Impact of COVID-19

COVID-19 is having broad effects on the world economy. One area that has been impacted, and is sure to be further impacted, is lending. To that end, below are some suggestions to help lenders navigate these uncertain times.

- *Check your collateral.* Lenders should consider taking a fresh look at their collateral to make sure that all necessary filings have been made. Lenders should also double-check to make sure that any post-closing collateral deliverables have actually been received.
- *Be ready for draw requests.* Many borrowers are expecting, or have already experienced, a decline in liquidity. Those borrowers may fully draw on their revolving lines of credit, whether or not funds are needed at the moment. Even though it is the responsibility of borrowers to certify that there is no default when making a borrowing, lenders should make sure their files are up to date so they don't lend over a default for which they should have been aware.
- *Document all waivers and consents.* Now is not the time to take shortcuts on documentation. Ignoring defaults, or otherwise waiving them in an informal manner, could create a course of dealing that will make it more difficult to take action when additional defaults arise in the future. Lenders should be aware of the waiver requirements in their loan documents and ensure that those requirements are strictly observed.
- *Be aware of your monitoring rights.* There may be situations where no default or event of default has occurred and is continuing, but one could be on the horizon. Lenders may have monitoring rights that they are not exercising, such as board observation rights, inspection rights and other documentary information rights. Taking full advantage of these rights can help lenders foresee whether or not trouble may be ahead.
- *Each borrower is different.* Some borrowers may experience short-term performance issues. Some of the deepest business relationships are forged when lenders support an otherwise viable company through times of crisis. While lenders must always be prudent with the money entrusted to them, sometimes it is necessary to step back and take the long view.

For more Day Pitney alerts and articles related to the impact of COVID-19, as well as information from other reliable sources, please visit our [COVID-19 Resource Center](#).

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